

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-09 ISO-00 EB-07 AID-05 CIAE-00 COME-00

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CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 L-02 H-01 /070 W

----- 119600

R 101228Z JAN 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1317

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

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EO 11652: NA

TAGS: EINV EAID EFIN EG

SUBJECT: TRIANGULAR INVESTMENTS IN EGYPT

REF: A. STATE 281356 B. STATE 3355

1. EGYPT'S SITUATION WITH REGARD TO POTENTIAL TRIANGULAR INVESTMENTS INVOLVING PETRODOLLARS DIFFERS SOMEWHAT FROM THAT OF OTHER LDCS IN THAT CONSIDERABLE SUMS OF MONEY ARE ALREADY AVAILABLE FOR THIS PURPOSE THROUGH RECENTLY FORMED JOINT INVESTMENT COMPANIES (WITH SAUDI ARABIA, DUWAIT, QATAR, ABU DHABI) AND RELATED LINES OF CREDIT. PROBLEM HERE LIES IN PUTTING FUNDS TO WORK.

2. WHILE OVERALL QUESTION OF STABILITY IN AREA ACTS AS DETERRENT TO POTENTIAL THIRD PARTIES, E.G. AMERICAN COMPANIES WITH REQUISITE KNOW-HOW AND CAPITAL, IN THE BROAD SENSE IT HAS NOT NOTICEABLY Affected INTEREST OF THOSE INVESTORS, WITH WHOM

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EMBASSY HAS BEEN IN CONTACT, WHO HAVE FOCUSED ON A SPECIFIC

PROJECT.

3. ESSENCE OF DIFFICULTY IS LESS RELATED TO EXISTING ENVIRONMENT FOR FOREIGN CAPITAL THAN TO PRACTICAL PROBLEMS OF FUNDING PROJECTS AND ORGANIZING MECHANICS OF JOINT VENTURE. WHILE OVERALL GOE POLICY OF ECONOMIC LIBERALIZATION IS DESIGNED TO ENCOURAGE INVESTMENT OF FOREIGN CAPITAL, NEW INVESTMENT LAW ITSELF RAISES DOUBTS ABOUT EXTENT OF GOE'S WILLINGNESS AND ABILITY TO ESTABLISH AND MAINTAIN EFFECTIVE INCENTIVES. FACT THAT IMPLEMENTING REGULATIONS FOR LAW HAVE NOT YET BEEN ISSUED FURTHER CLOUDS SITUATION. TIME-CONSUMING GLACIAL PACE OF GOE BUREAUCRACY ERODES ENTHUSIASM, ENGENDERS FRUSTRATION, AND CREATES IMPRESSION THAT THERE IS GENUINE LACK OF INTEREST IN FACILITATING INVESTMENTS. ANOTHER CONTRIBUTING FACTOR IS VIRTUALLY TOTAL LACK OF MEANS FOR PRODUCING ADEQUATE FEASIBILITY STUDIES FOR PROJECTS IN WHICH EGYPTIANS ARE ATTEMPTING ATTRACT PARTICIPATION. MOREOVER, EXTENSIVE DELAYS IN ESTABLISHMNET OF MUCH-NEEDED FOREIGN BANKS, DESPITE ANNOUNCEMENT OF THEIR APPROVAL MANY MONTHS AGO, HAVE ALL ADDED TO THE GENERAL AIR OF WAIT-AND-SEE OR WORSE, WHICH NOW PERVERSES INVESTMENT ATMOSPHERE.

4. AS RESULT, EACH PARTY APPEARS READY TO PLACE BLAME ON OTHERS. ARABS COMPLAIN THEY ARE NOT BEING SOUGH BY AMERICANS; LATTER ARE DISCOURAGED AT THEIR INABILITY TO CONTACT ARABS; EGYPTIANS DOUBT SINCERITY OF BOTH. CRUX OF PROBLEM, SEEN FROM HERE, IS THUS FAR POOR PERFORMANCE OF GOE IN ACTING AS PROMOTER, EVEN KEEPING IN MIND DIFFICULTIES ENUMERATED ABOVE. WE BELIEVE THAT BOTH US COMPANIES AND ARABS REMAIN HIGHLY INTERESTED IN GETTING THINGS UNDERWAY IN EGYPT, BUT AS YET THERE IS NO REALLY SATISFACTORY MECHANISM FOR PUTTING THEM INTO PICTURE TOGETHER.

5. EMBASSY INTENDS TO DISCUSS THIS PROBLEM IN DEPTH AND DETAIL WITH TAHER AMIN, MINISTER FOR ECONOMIC COOPERATION, IN CONTEXT OF FOLLOW-UP TO LAST NOVEMBER MEETING OF JOINT WORKING GROUP ON ECONOMIC AND FINANCIAL COOPERATION.

6. ONE OF STEPS THAT MUST BE CONSIDERED IS PROVISION OF COMPLETE AND DETAILED LISTS OF PROJECTS MENTIONED REFTEL. B. EVEN IF SUPPORTING DATA CANNOT BE PRODUCED BY GOE, WHICH IS LIKELY TO BE LIMITED OFFICIAL USE

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CASE FOR SOME TIME TO COME, INTEREST EXPRESSED BY BOTH ARABS AND US FIRMS IN A GIVEN PROJECT MAY ITSELF BE SUFFICIENT CATALYST TO GENERATE NECESSARY STUDIES AND LEAD TO CREATION OF A TRIANGULAR DEAL. WE THINK THAT ONE SUCH SUCCESS, EVEN OF MEDIUM SIZE, WOULD HAVE A HIGHLY STIMULATIVE EFFECT.
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